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HEALTH CARE

## Chickenening Out on Medicare

**Both parties agree that the program is unsustainable without deep cuts. But once again, neither is willing to show the way.**

by [Margot Sanger-Katz](#)  
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Don't be shy: Murray could have cut even further. (AP Photo/J. Scott Applewhite)

There weren't many surprises in the budgets each party released this week, but here was one: Sen. Patty Murray's Democratic proposal had more than double the cuts to the biggest health entitlement, Medicare, as Rep. Paul Ryan's Republican proposal did. Despite the House Budget chairman's frequent critique of Medicare sustainability, he would trim only \$129 billion over 10 years, mostly by capping malpractice awards and by asking seniors to pay higher premiums and higher prices for prescription drugs. (After that, his famous "premium support" plan—which gives seniors a fixed payment to shop for their own insurance—would begin.) Murray's plan goes further on savings but falls short on specifics: She says only that spending should be trimmed by \$265 billion and leaves the details to her Senate Budget Committee colleagues. That probably means provider pay cuts and reduced drug subsidies for low-income seniors. Considering that Medicare is the biggest long-term driver of the country's deficit, Ryan's and Murray's fixes are pretty underwhelming. "The numbers are really a little bit surprisingly low to me," says John Holahan, a fellow at the nonpartisan Urban Institute.

Both sides could go a lot further if they really wanted to wring spare dollars from the health care program, and they could do it even while achieving their stated goals—achieving some "structural" changes that raise revenue but protect seniors from cost shifts or benefit cuts that would endanger their coverage. That's the conclusion of a new Urban Institute report, which skips premium support but still finds more than \$500 billion in Medicare savings. (It also proposes raising the Medicare payroll tax to bring in an additional \$200 billion.)

The biggest problem with Medicare isn't inefficiency, waste, or fraud. It's the coming wave of baby-boomer retirements. Those seniors will nearly double the program's size by 2030. Even though Medicare has just enjoyed three years of record-low spending growth and is on track to stay lean, it will still become much more expensive as boomers sign up. Proposals such as Ryan's premium-support model, which try to hold down per-person spending, don't address that reality, Holahan says. And, as Democrats are fond of pointing out, the GOP plan *could* force seniors to pay more if competing private plans turn out to be more expensive than the big government program would have been.

So the Urban Institute's biggest reform would cap the amount seniors could be asked to spend—making Medicare a better insurer of catastrophic care. Then, it would merge the program's hospital and doctor portions, charging one set of premiums and deductibles for the full package of benefits. The combined number would be higher than it is now—that's where the savings come from—but wealthy seniors would pay more and poor ones would pay less. This restructuring might even eliminate the need for the supplemental private insurance many seniors now buy to protect them from big bills. This proposal resembles a plan that Vice President Joe Biden and House Majority Leader Eric Cantor once considered in deficit-reduction talks.

Controversially, congressional Republicans want to raise Medicare's eligibility age to 67; the Urban authors propose a way to do that while leaving fewer beneficiaries in the lurch. They would allow younger seniors who are no longer guaranteed Medicare benefits to buy their way into the program—with tax credits to help those with lower incomes. The report echoes Senate Democrats' likely approach in cutting drug-company payments for poor seniors. It also suggests raising the drug-benefit and treatment premiums for richer seniors. The plan includes a number of other small and more-familiar tweaks and cuts. And then there's the big item that no one on Capitol Hill is talking about: a payroll-tax hike to shore up Medicare's solvency. That change would bring in a lot of money but is unlikely to interest even congressional Democrats, who say often that a deficit deal must include new revenue.

The Urban plan's authors recommend scrapping an old cost-saving formula for doctor's pay that has proved to be a disaster. Imposing a permanent "doc fix" (that is, nixing a constantly deferred pay cut for physicians) would cost some \$133 billion—more than all of Ryan's Medicare savings. Murray's plan would roll back the looming cuts, erasing half of her proposed savings. Ryan's budget endorses the doc fix only in theory; he neither includes it nor pays for it on his balance sheet. The Urban report, by contrast, found so much to trim that it can impose the doc fix and still show major savings.

If Congress and the president ever achieve a grand bargain, the Medicare cuts are likely to be much deeper than the figures in either Ryan's or Murray's budget. That would be a hard pill for lawmakers on both sides to swallow. Democrats see themselves as the protectors of "Medicare's guarantee" to seniors, and Republicans have come to rely on the votes of older Americans to win elections. But both parties could cut more than they've offered without gutting Medicare. In fact, President Obama's proposal has already done so. His opening offer in sequester negotiations: nearly \$400 billion.